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RUEKJCS/SECDEF WASHDC
RUEKJCS/Joint STAFF WASHDC
RUEHGV/USMISSION GENEVA 0626
RUEHVN/USMISSION USOSCE 2592
RUCNDT/USMISSION USUN NEW YORK 1971
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C O N F I D E N T I A L SECTION 01 OF 04 BISHKEK 000665

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DEPT FOR ASSISTANT SECRETARY BOUCHER
DEPT ALSO FOR SCA/CEN

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SUBJECT: SCENESETTER FOR THE VISIT OF ASSISTANT SECRETARY
BOUCHER TO KYRGYZSTAN

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

¶1. (C) We warmly welcome you to Kyrgyzstan June 7 to 11. Your visit comes at an important time for the bilateral relationship. The series of high-level visits -- Secretary of Defense Gates on June 5, your visit, and then CENTCOM Commander Admiral Fallon later in June -- will demonstrate to the Kyrgyz the importance we place on the relationship. The domestic political situation has quieted down following anti-government demonstrations in April, but the government still appears weak, pressured by Russia, China, and Kazakhstan and unwilling to lead public opinion on controversial issues. Heated debate over the Manas Coalition Airbase continues, with many seeking to oust the base. Senior officials have assured us that they will continue to support the base, but at the same time the government is looking to renegotiate the terms of the agreement. It will be important to encourage President Bakiyev and other interlocutors to make the case publicly that the base plays a key role in promoting long-term stability and security in Kyrgyzstan and in the region. Your visit will also offer the opportunity to move forward on a number of other key issues and create a more positive agenda for the bilateral relationship.

At a Better Point

¶2. (C) When you were last here in August 2006, the bilateral relationship was at a low point following the unjustified expulsion of two U.S. diplomats and the detention and intimidation of Embassy local staff by Kyrgyz security

services. A Russian campaign against U.S. interests waged through the media and security service cooperation contributed significantly to the strains; it was also apparent that then-Foreign Minister Jekshenkulov was playing an unhelpful role. At that time, you laid out steps for the Kyrgyz government to take to put the bilateral relationship on the right trajectory, and a number of them have happened: for example, President Bakiyev participated in the September 11 commemoration at the Manas Coalition Airbase; the American University in Central Asia's (AUCA) licensing issue appears to be resolved; and the Surveillance Detection Team is (finally) operating again.

¶13. (C) There have been other strains on the bilateral relationship, however. A series of unfortunate incidents at the airbase in the fall, and the seemingly slow pace in resolving these incidents, have undermined support for the base with the government and the public, contributed to harsh anti-American rhetoric, and led to calls to reconsider the base agreement. Committee hearings in parliament May 23 resulted in hysterical demands from some deputies for the government to oust the base. While senior government officials have assured us of the government's commitment to the continued operation of the base, the government is looking to make changes and additions to the base agreement.

¶14. (C) Despite the tensions surrounding the base, and the continued anti-American rhetoric from parts of the media and public, we are now at a better point in the bilateral relationship. In the past few weeks, we have received a number of positive signals from the government, with officials indicating that they realize mistakes were made last summer, want to move past the problems of the fall and winter, and want to find ways to improve the bilateral relationship -- including shoring up support for the base.

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This change may be due, in part, to the Russians overplaying their hand and the Kyrgyz seeking to balance foreign influences, but changes in the Kyrgyz government have also played a role. The new government line-up -- particularly Prime Minister Atambayev, Foreign Minister Karabayev, and Presidential Chief of Staff Sadyrkulov -- opens up opportunities for greater cooperation and progress on a number of issues. Sadyrkulov, a strong inside operator, has told us he wants to make progress "step by step."

A Quieter Political Situation

¶15. (C) The months since your last visit have been marked by political instability, with two separate week-long anti-government rallies, three constitutions, and three prime ministers. President Bakiyev offered a number of concessions to the opposition, including appointing opposition leader Almaz Atambayev as prime minister and promising to transform state broadcaster KTR into a public television station. Following the stand-off in April between former Prime Minister Kulov's United Front movement and the government over calls for President Bakiyev to resign and hold early presidential elections, the internal political situation has settled down -- at least for now. The Constitutional Court is reviewing amendments proposed by Prime Minister Atambayev, and opposition leaders appear to be biding their time to see if Bakiyev will follow through on his promises, with the likelihood of renewed demonstrations in the fall if he doesn't. The government is focused on preparations for hosting the Shanghai Cooperation Organization (SCO) summit August 16 in Bishkek.

What to Expect from the Kyrgyz

¶16. (C) Base issues will be at the top of the Kyrgyz agenda. President Bakiyev and your other interlocutors likely will raise outstanding issues regarding the shooting and the

collision, improving the image of the base, and renegotiating the terms of the base agreement. They will blame "public opinion" for some points, and they will say that the government's difficult financial and debt situation is forcing them to seek revenues from all possible sources.

¶7. (C) As a way to improve the image of the base with the Kyrgyz public, the Kyrgyz are likely to push for additional compensation and a "lifetime pension" for Mrs. Ivanova, as well as a statement that the U.S. will decide shortly whether to prosecute the airman. They will also ask for compensation for the damaged aircraft, and they have told us that they want to negotiate "changes and additions" to the existing base agreement. We have been told confidentially that the Kyrgyz are re-drafting the compensation protocol negotiated last year and will likely request consideration for the Kyrgyz Air Navigation Company, compensation for ecological damage, and taxation of contractors and subcontractors. It is unclear when this will be presented to us. Non-governmental actors will criticize the lack of transparency in base payments. The Kyrgyz may also raise the constant rumor that the U.S. will launch an attack on Iran from Manas. President Bakiyev and others will also push for more local contracts at the base, as well as for assistance to Kyrgyz firms in obtaining business in Afghanistan.

¶8. (C) As you know, we have already taken steps to resolve the shooting and collision issues. The Secretary of Defense

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authorized a payment of \$55,000 to Mrs. Ivanova in recognition of her loss. While Mrs. Ivanova publicly dismissed the amount as "paltry," the payment was equivalent to 20 years of her husband's salary -- in effect, a "lifetime pension" in a lump sum. The investigation continues, and the Kyrgyz do not understand why the U.S. process takes so long. The Defense Department has also offered payment of \$260,500 to the Kyrgyz Airline Company to compensate for damage to the plane, although the Kyrgyz claim is substantially higher; we are waiting for a response from the company.

¶9. (C) The Kyrgyz will urge that we provide on a regular basis more information about the situation in Afghanistan and the continuing need to maintain the base. On May 23-24, Ambassador Neumann briefed key Kyrgyz government and political leaders on the situation in Afghanistan, and on June 13-14, the U.S. Government is taking six Kyrgyz officials to Afghanistan for meetings and briefings. We are planning additional tours of the base for all parliamentarians at the end of June. While we will continue to brief the Kyrgyz leadership on the security situation in Afghanistan, it will be important to encourage President Bakiyev and other interlocutors to lead public opinion about the key role played by the base in promoting long-term stability and security in Kyrgyzstan and the region.

¶10. (C) The Kyrgyz will push for approval for funding of Kyrgyzstan's Millennium Challenge Account (MCA) Threshold Country Plan. Having bowed to public pressure created by special interests and rejected the Heavily Indebted Poor Countries (HIPC) debt relief initiative, the Kyrgyz government is looking for other ways to deal with its \$2 billion foreign debt, and many view approval of the Threshold Country Plan in that context. While we have repeatedly told Kyrgyz officials that approval of the Plan will not involve a transfer of funds to the Kyrgyz government, successful implementation of the Plan would help Kyrgyzstan to become eligible in the future for a full MCA compact. We support funding Kyrgyzstan's Plan, and at this point, it appears that the Millennium Challenge Corporation Board will make its decision in July. The Kyrgyz could help generate a positive decision by taking steps to follow through on the legislation and reforms they have previously pledged to carry out.

¶11. (C) The Kyrgyz will urge greater efforts to promote trade and investment. We are working with the fledgling American

Chamber of Commerce in Kyrgyzstan in order to support business and investment, and are planning a "Doing Business with America" seminar for Kyrgyz firms to take place in September. The Kyrgyz government, however, still needs to take substantial steps to improve the business climate and establish the rule of law so that foreign investors will feel confident that their investments will be protected. Recent threats in the parliament to nationalize the Canadian-operated Kumtor gold mine, which represent the largest foreign investment in Kyrgyzstan, send a very negative signal to potential investors.

Creating a Positive Agenda

¶12. (C) With new interlocutors in the government, there is a real opportunity to move forward on a number of key issues and to create a positive agenda for the bilateral relationship. Your commencement address to the graduates of the American University of Central Asia (AUCA) will highlight the U.S. Government's commitment to AUCA, as well as the

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importance of AUCA for Kyrgyzstan. We would suggest that you urge continued Kyrgyz government support for AUCA as a center of educational excellence for the region that will serve to enhance Kyrgyzstan's reputation, as have American universities in other countries.

¶13. (C) Rule of law is another key element of our agenda. This is important for economic development, and it is also critical to Kyrgyzstan's political development -- and to the country's reputation. The perception that laws have been applied unevenly against political opponents -- such as the house arrest of Bermet Akayeva, hauling in civil society leaders for questioning, and pressure against parliamentary deputies -- does no credit to the government. We have current programs to work with the Kyrgyz government and civil society to improve the rule of law, and if Kyrgyzstan's MCA Plan is funded, we will be involved in key judicial and law enforcement reforms. We would suggest that you urge President Bakiyev and other officials publicly to support the rule of law, to act more magnanimously toward their political opponents, and not to repeat the political mistakes of the Akayev regime.

¶14. (C) There is potential to develop trade and investment projects if Kyrgyzstan takes serious steps to improve the business and investment climate. The Trade and Investment Framework Agreement (TIFA), signed by the five Central Asian countries in July 2004, presents a framework for enhancing trade relations. The next TIFA meeting will take place in Washington in mid-July; we would suggest that you urge the Kyrgyz to attend this meeting with representation at as high a level as possible. The U.S. Government is also currently engaged in activities to develop the market for Kyrgyz electricity exports. USAID is implementing the Regional Energy Markets Assistance Program (REMAP) to establish a competitive energy market in Central Asia and increase trade in electricity, which in turn will make development of Kyrgyzstan's hydroelectricity resources feasible. The U.S. Government is also supporting, in coordination with the international financial institutions, the Central Asia South Asia Regional Energy Market (CASAREM), which will lay the groundwork for Kyrgyz electricity exports to South Asia.

¶15. (C) Although Kyrgyzstan has a relatively free and lively press, national television broadcasting has been largely controlled by the state. Creation of a genuine public television station would go a long way toward improving access to information around the country. President Bakiyev has signed the legislation allowing for the transformation of state broadcaster KTR into a public entity. We suggest that you congratulate President Bakiyev on his decision to create public television and urge that the government rapidly implement the law.

¶16. (C) Your visit comes at an important point in U.S.-Kyrgyz relations, and it will provide an opportunity to shore up support for the base, identify AUCA as a point of pride for Kyrgyzstan, urge progress on rule of law and other reforms, and generally set a more positive agenda for the bilateral relationship. We will provide separately more detailed suggestions for points for individual meetings. We are looking forward to welcoming you back to Kyrgyzstan.

YOVANOVITCH